MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

FINANCIAL STATEMENTS

Year Ended December 31, 2009
and the Period October 15, 2003 (Inception), to
December 31, 2009

MHM
Mayer Hoffman McCann P.C.
An Independent CPA Firm

ACCOUNTANTS' COMPILATION REPORT

To the Members
Millennium Transit Services, LLC
Roswell, New Mexico

We have compiled the accompanying balance sheet of Millennium Transit Services, LLC (a debtor-in-possession development stage company) as of December 31, 2009, and the related statements of operations, changes in members' deficit and cash flows for the year ended December 31, 2009 and for the period from October 15, 2003 (Inception) to December 31, 2009 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

As discussed in Note 2, on August 29, 2008, the Company filed a voluntary petition for reorganization under Chapter 11 of the Federal Bankruptcy Code and was authorized to continue managing and operating the business as a debtor-in-possession subject to the control and supervision of the Bankruptcy Court. Those conditions indicate that the Company may be unable to continue as a going concern. The accompanying financial statements do not include any adjustments to the financial statements that might be necessary should the Company be unable to continue as a going concern.

Mayer Hoffman McCann P.C.

Denver, Colorado
August 5, 2010

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MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

BALANCE SHEET

December 31, 2009

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 15,361
Accounts receivable, net	21,829
Inventory	13,298,299
Other current assets	84,120
TOTAL CURRENT ASSETS	13,419,609
PROPERTY, PLANT, AND EQUIPMENT at cost, net of accumulated depreciation and amortization	2,584,890
OTHER ASSETS	
Loan fees and license agreement, net of accumulated amortization	88,416
TOTAL ASSETS	$ 16,092,915

LIABILITIES

LIABILITIES NOT SUBJECT TO COMPROMISE	
CURRENT LIABILITIES	
Accrued liabilities -	
Reserve for warranty claims	$ 81,470
Other	58,532
LIABILITIES SUBJECT TO COMPROMISE	45,426,403
TOTAL CURRENT LIABILITIES	45,566,405
ACCRUED MAINTENANCE AGREEMENT	1,000,000
TOTAL LIABILITIES	46,566,405

MEMBERS' DEFICIT

Capital contributed	2,070,900
Deficit accumulated in the development stage	(32,544,390)
TOTAL MEMBERS' DEFICIT	(30,473,490)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$ 16,092,915

See Notes to Financial Statements and Accountants' Compilation Report

MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

STATEMENTS OF OPERATIONS

Year Ended December 31, 2009
and the Period October 15, 2003 (Inception)
to December 31, 2009

	Year Ended December 31, 2009	October 15, 2003 (Inception) to December 31, 2009
REVENUES	$ 88,938	$ 16,430,412
COST OF REVENUES	1,547,531	25,175,968
GROSS MARGIN	(1,458,593)	(8,745,556)
GENERAL AND ADMINISTRATIVE EXPENSES	837,912	11,384,093
LOSS FROM OPERATIONS	(2,296,505)	(20,129,649)
OTHER INCOME (EXPENSE)		
Interest income	-	3,984
Rental income	-	59,892
Gain (loss) on disposal of property, plant and equipment	15,953	(1,176)
Other income	-	36,743
Maintenance fee income	-	6,000
Interest expense	(3,245,877)	(12,472,836)
TOTAL OTHER INCOME (EXPENSE)	(3,229,924)	(12,367,393)
LOSS BEFORE REORGANIZATION ITEMS	(5,526,429)	(32,497,042)
REORGANIZATION ITEMS		
Professional fees	12,294	50,116
Interest income	-	(2,768)
TOTAL REORGANIZATION ITEMS	12,294	47,348
NET LOSS	$ (5,538,723)	$ (32,544,390)

See Notes to Financial Statements and Accountants' Compilation Report

MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

STATEMENT OF CHANGES IN MEMBERS' DEFICIT

Year Ended December 31, 2009
and the Period October 15, 2003 (Inception)
to December 31, 2009

	Managing Member	Other Members	Total
Balance, October 15, 2003 (Inception)	$ -	$ -	$ -
Contributions (Inception to December 31, 2008)	2,003,900	67,000	2,070,900
Net loss (Inception to December 31, 2008)	(24,330,630)	(2,675,037)	(27,005,667)
Balance at December 31, 2008	(22,326,730)	(2,608,037)	(24,934,767)
Net loss	(5,289,480)	(249,243)	(5,538,723)
Balance at December 31, 2009	$ (27,616,210)	$ (2,857,280)	$ (30,473,490)

See Notes to Financial Statements and Accountants' Compilation Report

MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

STATEMENTS OF CASH FLOWS

Year Ended December 31, 2009
and the Period October 15, 2003 (Inception)
to December 31, 2009

	Year Ended December 31, 2009	October 15, 2003 (Inception) to December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (5,538,723)	$ (32,544,390)
Adjustments to reconcile net loss to net cash flows from operating activities		
Depreciation and amortization	305,560	1,184,961
Unpaid accrued interest added to subordinated debt	2,921,854	9,697,712
(Gain) loss on disposal of property and equipment	(15,953)	1,176
(Increase) decrease in -		
Accounts receivable	(19,121)	(21,829)
Inventory	931,019	(12,298,299)
Other assets	184,115	(84,120)
Increase (decrease) in -		
Accounts payable	-	5,150,557
Accrued liabilities	12,806	140,002
Liabilities subject to compromise	(53,952)	(165,952)
NET CASH FLOWS FROM OPERATING ACTIVITIES	(1,272,395)	(28,940,182)
CASH FLOWS FROM INVESTING ACTIVITIES		
Insurance proceeds from disposal of property, plant and equipment	45,016	45,016
Purchase of property, plant and equipment	-	(551,956)
NET CASH FLOWS FROM INVESTING ACTIVITIES	45,016	(506,940)

See Notes to Financial Statements and Accountants' Compilation Report

MILLENNIUM TRANSIT SERVICES, LLC
(A Debtor-in-Possession
Development Stage Company)

STATEMENTS OF CASH FLOWS (CONTINUED)

Year Ended December 31, 2009
and the Period October 15, 2003 (Inception)
to December 31, 2009

	Year Ended December 31, 2009	October 15, 2003 (Inception) to December 31, 2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Post-petition proceeds from secured indebtedness to member	1,232,325	1,965,323
Post-petition principal payments on debt	(17,853)	(17,853)
Pre-petition principal payments on debt	-	(8,726,350)
Pre-petition proceeds from subordinated debt payable to member	-	29,223,466
Pre-petition proceeds from revolving credit agreement	-	7,300,000
Pre-petition repayment of subordinated debt payable to member	-	(3,503,723)
Pre-petition principal payments on capital lease liability	-	(5,912)
Pre-petition proceeds from long-term debt	-	1,156,632
Pre-petition capital contributions	-	2,070,900
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,214,472	29,462,483
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(12,907)	15,361
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	28,268	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 15,361	$ 15,361

See Notes to Financial Statements and Accountants' Compilation Report

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies

Nature of operations - Millennium Transit Services, LLC (the "Company"), was organized in 2003. The Company manufactures and sells advanced transportation products and parts for transit authorities and municipalities across the United States as well as internationally.

Development stage operations - The limited liability company was formed October 15, 2003 by four members. During 2005 an additional member was added by additional contribution of capital and acquisition of the interest of one of the original members.

Development stage operations include contract procurement, engineering and design, and production of prototypes.

Ownership interest and operating agreement - The Company's members and their respective sharing interests in the Company's capital and profits and losses as of December 31, 2009 are as follows:

Managing member	95.50%
Other members	4.50%

Member distributions are governed by the operating agreement of the Company. The operating agreement provides for a quarterly tax distribution to members to pay their Federal and state income taxes due on their respective shares of the taxable income of the Company. To date, there have been no tax distributions.

The operating agreement of the Company provides that the members have no further obligation to contribute additional amounts of capital to the Company. If the Company requires additional funds, the Manager may call for an additional contribution. Each member has the right to contribute a pro rata share of such additional funds, based on the relative percentage interest. In addition, the liability of the members of the Company is limited to the members' total capital contributions.

Use of estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Long-lived assets - The Company assesses the carrying value of long-lived assets for impairment when facts and circumstances indicate that such amounts may not be recoverable from future operations. If events or circumstances indicate that the carrying amount of a long-lived asset may be impaired, the Company will make an assessment of its recoverability by estimating the undiscounted future cash flows of the asset. If the carrying amount exceeds the aggregate undiscounted future cash flows, the Company would recognize an impairment loss to the extent the carrying amount exceeds the estimated fair value of the asset.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Long-lived assets (continued) - Based upon its review, management does not believe that any impairment reserves are necessary at December 31, 2009 and no impairment losses have been recognized by the Company.

Cash and cash equivalents - The Company considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

Accounts receivable - Accounts receivable from sales are based on contract prices and are due according to the terms of the contract. The Company provides an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information, and existing economic conditions. Receivables more than 120 days past due are considered delinquent. Delinquent receivables may be reserved or written-off based on individual credit evaluation and specific circumstances of each customer. As of December 31, 2009 the Company has no allowance for doubtful accounts.

Inventory - Inventory is valued at the lower of cost or market. Cost is based on a weighted average of purchase prices. Labor and manufacturing overhead are allocated to inventory on the basis of the time required for production.

The Company allocates a portion of fixed production overhead to the cost of conversion based on the normal capacity of the production facilities. Thus, amounts of idle facility expenses during the development stage have been treated as period expenses.

During the year ended December 31, 2009 the Company recorded $904,872 of cost of revenues associated with work in process inventory on a sales contract that was cancelled during 2009.

Property, plant and equipment - Property, plant and equipment is stated at cost. The costs of additions and betterments are capitalized and expenditures for repairs and maintenance are expensed in the period incurred. When items of property and equipment are sold or retired, the related costs and accumulated depreciation and amortization are removed from the accounts and any gain or loss is included in income.

Depreciation and amortization of property and equipment is provided utilizing the straight-line method over the estimated useful lives of the respective assets as follows:

Assets	Useful Lives
Building	39
Manufacturing equipment	7 - 10
Office furniture and equipment	3 - 7
Software	3 - 5
Equipment under capital lease	Term of lease

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Loan fees - The loan fees are amortized over the term of the related loan on a straight-line basis, which approximates the effective interest method. For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 amortization of loan fees as interest expense were $34,999 and $127,172, respectively.

The future estimated amortization expense of the Company's loan fees is as follows:

Years Ending December 31,	
2010	$ 32,500
2011	15,400
2012	15,400
2013	15,400
2014	4,487
Total	$ 83,187

Revenue recognition - Revenue is recognized in the financial statements on an accrual basis based on the transfer of ownership as defined in the contract terms.

Research and development expenses - Research and development expenses are charged to operations as they are incurred.

Advertising costs - Advertising costs are expensed as incurred.

Accounting for income taxes - Generally, income taxes are not provided because the Company is taxed as a partnership. As such, the Company's items of income, loss, deduction and credit are passed through to the members and reported on their respective income tax returns. The Company consults with third party consultants to review their current tax filings and evaluate for uncertain tax positions.

Accounting for reorganization under the bankruptcy code - As described in Note 2 below, the Company has filed petitions for relief under Chapter 11 of the federal bankruptcy laws. As such, the Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 852-10 "Reorganizations".

Sales tax - As most of the Company's sales are to municipalities and other non-taxable entities, the Company does not collect and remit sales taxes on those sales. If sales taxes are collected they are reported on the net basis. Accordingly, sales tax is excluded from revenue.

(1) Summary of significant accounting policies (continued)

Recently issued accounting standards - The following is a list of recently issued accounting standards and the related impact, if any, that each has on the Company:

Effective July 1, 2009, the FASB ASC became the single official source of authoritative, nongovernmental generally accepted accounting principles ("GAAP") in the U.S. The historical GAAP hierarchy was eliminated and the ASC became the only level of authoritative GAAP, other than guidance issued by the Securities and Exchange Commission. The Codification is required to be applied to financial statements issued for interim and annual periods ending after September 15, 2009. The Codification does not change GAAP and did not impact the Company's financial position or results of operations.

In September 2006, the FASB issued guidance which defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. In February 2008, the FASB deferred the effective date to January 1, 2009 for all nonfinancial assets and liabilities, except for those that are recognized or disclosed at fair value on a recurring basis (that is, at least annually). With the adoption of new accounting rules, fair value is now determined as an exit price, representing the price that would be received in an orderly transaction between market participants based on the highest and best use of the asset, rather than as the result of an internally-generated cash flow analysis. The Company adopted this standard effective January 1, 2009, and it did not have a material impact on the Company's financial statements.

In May 2009, the FASB issued guidance which establishes general standards of accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The statement is effective for periods ending after June 15, 2009 and sets forth, i) the period after the balance sheet date during which management of a reporting entity shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, ii) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and iii) the disclosures that an entity should make about such events or transactions. The Company adopted this guidance during the year ended December 31, 2009 with no impact on its financial position or results of operations.

In June 2009, the FASB issued guidance on consolidation applicable to variable interest entities. The provisions of the standard significantly affect the overall consolidation analysis. The guidance is effective as of the beginning of the first fiscal year that begins after November 15, 2009. The guidance will be effective for the Company beginning in 2010. The Company does not expect the provisions of the guidance to have a material effect on the financial position, results of operations or cash flows of the Company.

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies (continued)

Recent accounting pronouncements (continued) - In September 2009, the FASB provided implementation guidance on accounting for uncertainty in income taxes and eliminated certain disclosure requirements for nonpublic entities. For entities that are currently applying the standards for accounting for uncertainty in income taxes, the guidance and disclosure amendments are effective for financial statements issued for interim and annual periods ending after September 15, 2009. For those entities that have deferred the application of accounting for uncertainty in income taxes the guidance and disclosure amendments are effective upon adoption of those standards. The adoption of the guidance by the Company did not have a material effect on the financial position, results of operations or cash flows of the Company.

(2) Reorganization under bankruptcy proceedings and going concern

In August 2008, the Company (the "Debtor") filed petitions for relief under Chapter 11 of the federal bankruptcy laws in the United States Bankruptcy Court for the District of New Mexico ("Bankruptcy Court"). Under Chapter 11, certain claims against the Debtor in existence prior to the filing of the petitions for relief under the federal bankruptcy laws are stayed while the Debtor continues business operations as Debtor-in-possession. These claims are reflected in the December 31, 2009 balance sheet as "liabilities subject to compromise." Additional claims (liabilities subject to compromise) may arise subsequent to the filing date resulting from rejection of executory contracts, including leases, and from the determination by the court (or agreed to by parties in interest) of allowed claims for contingencies and other disputed amounts. Claims secured against the Debtor's assets ("secured claims") also are stayed, although the holders of such claims have the right to move the court for relief from the stay. Secured claims are secured primarily by liens on the Debtor's property, plant, and equipment. The Debtor received approval from the Bankruptcy Court to pay or otherwise honor certain of its prepetition obligations, including employee wages and product warranties.

As of December 31, 2009, the Debtor has not submitted a plan of reorganization (the "Plan") for Bankruptcy Court confirmation. Management of the Company is developing the Plan to obtain public and or private financing to refinance the current debt as well as satisfy the aged accounts payable.

The ability of the Company to continue as a going concern is dependent on confirmation of the Plan by the Bankruptcy Court as well as the success of contract negotiations with potential customers and ultimately to achieve a continuing revenue stream and profitable operations. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(3) Inventory

At December 31, 2009, inventory consists of the following:

Raw materials	$	13,172,015
Work-in-process		126,284
Total	$	13,298,299

(4) Property, plant and equipment

At December 31, 2009 property, plant and equipment consists of the following:

		Cost		Accumulated Depreciation		Net Book Value
Building	$	1,997,041	$	(311,504)	$	1,685,537
Manufacturing equipment		1,291,243		(444,591)		846,652
Office furniture and equipment		180,404		(153,417)		26,987
Software		188,254		(165,675)		22,579
Equipment under capital lease		17,098		(13,963)		3,135
Total	$	3,674,040	$	(1,089,150)	$	2,584,890

For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 depreciation and amortization expense totaled $269,901 and $1,053,772, respectively.

(5) License agreement

On December 15, 2003, in conjunction with the acquisition of the business assets, the Company purchased the right to use certain manufacturing equipment. The license agreement is related to the maintenance agreement as described in Note 8. The license agreement is amortizable over 14 years. For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 amortization expense of the license agreement totaled $660 and $4,017, respectively. The future estimated amortization expense of the Company's license fees is as follows:

Years Ending December 31,		
2010	$	660
2011		660
2012		660
2013		660
2014		660
Thereafter		1,929
Total	$	5,229

(6) Warranty

The Company generally warrants components manufactured by the Company for up to twelve years. The warranty reserve is estimated based on the Company's warranty policy, applicable contractual warranty obligations, an analysis of historical costs and management's expected claims as well as specific vendor warranties to be purchased on behalf of the customer. Certain components manufactured by suppliers offer addition warranty provisions. Any claims against these components are reimbursed directly by the suppliers under the warranty period.

(7) Liabilities subject to compromise

At December 31, 2009, liabilities subject to compromise consist of the following:

Debtor-in-possession loan	$	1,965,323
Note payable		3,047,834
Accounts payable		4,841,401
Accrued interest		143,204
Capital lease payable		11,186
Subordinated related party debt		35,417,455
Total liabilities subject to compromise	$	45,426,403

The amount classified as debtor-in-possession loan above consists of an agreement with the bankruptcy court to authorize the Company to incur post-petition secured indebtedness which is senior to certain existing liens. Management files debtor-in-possession financing motions to obtain additional financing needs to remain in business while the Company seeks new bus manufacturing contracts. The financing is provided by the managing member of the Company as a revolving credit facility and accrues interest at 10% prior to acceleration or maturity.

If any amounts under the revolving credit facility are not paid when due they shall accrue interest at 12%. The revolving credit is secured by all assets of the Company. The debt matures the earlier of a confirmation of a plan of reorganization, conversion or dismissal of the bankruptcy case, or entry of an order approving sale of a substantial portion of the Company's assets. Interest accrued on the debtor-in-possession loan totaled $143,204 and is included above as accrued interest.

The amount classified as note payable above consists of a note payable to Pioneer Bank. The note was amended on October 27, 2008 to allow the Company to pay interest only payments totaling $17,050 per month plus 25% of any sales price of inventory. The note matures September 2014 and is personally guaranteed by the Company's minority members, collateralized by the Company's bank accounts, accounts receivable, inventory, a building and manufacturing equipment. Per the terms of the loan agreement associated with the note payable, the Company is required by covenant to maintain cash and accounts receivable in excess of all current liabilities. The Company is also subject to several other covenants specified in the agreement.

(7) Liabilities subject to compromise (continued)

The amount classified as capital lease payable above consists of office equipment requiring monthly lease payments of $357. For the year ended December 31, 2009 the Company has not made any payments on the capital lease payable. The Company owes approximately $13,000 in principal and interest lease payments. Amortization expense is included as depreciation and amortization expense in the accompanying financial statements.

The amount classified as subordinated related party debt above consists of a credit facility note and accrued interest with the managing member. The note bears interest at the three month LIBOR Rate plus eight hundred basis points (8.25% at December 31, 2009) and is collateralized by a deed of trust on the real estate of the Company. The revolving note requires quarterly interest only payments. The debt is subordinated to all asset based lending. As defined in the note, accrued and unpaid interest is to be added to the outstanding principal balance. To date, the Company has made no interest payments on the note. The note was scheduled to mature December 2009. Upon mutual agreement between the parties the note has been extended with no specified maturity date.

(8) Maintenance agreement

The Company entered into an agreement with the previous owner to maintain specific manufacturing equipment and tooling for a period of 14 years. The manufacturing equipment and tooling is used to produce parts to fulfill the outstanding warranty period for the previous owner. The agreement called for five equal annual payments from the previous owner in the amount of $200,000, commencing October 2004. The Company is responsible for maintenance of the manufacturing equipment in full working order. At the end of the 14 years, the previous owner will transfer ownership of the manufacturing equipment to the Company. As of December 31, 2009, $1,000,000 is reported as "accrued maintenance agreement" in the accompanying balance sheet. Management anticipates costs associated with maintenance of the equipment will be incurred through the year 2017. Management will review the appropriateness of the liability annually.

(9) Operating leases

The Company has entered into operating leases for office equipment and land with monthly lease payments totaling approximately $1,000. Operating lease terms extend through September 2010, with an option to extend the land lease for an additional 10 years.

Future minimum lease payments under operating lease arrangements are $6,066 for the year ending December 31, 2010.

For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 rent expense under these leases was $7,500 and $42,636, respectively.

(10) Related party transactions

For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 amounts paid for services to a related party totaled $0 and $93,016, respectively.

(11) Retirement plans

Effective January 1, 2007, the Company adopted a profit sharing plan that contains 401(k) employee deferral provisions. The plan covers all employees with six months of service who are 21 years of age or older. Employer contributions to the plan consist of 50 cents per hour worked up to a maximum of 2,080 hours and a match of 50% of employee contributions up to 6% of eligible compensation. Company contributions to the plan for the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 were $12,978 and $91,412, respectively.

(12) Commitments and contingencies

Under the Company's organizational documents, the Company's members, officers, employees and directors are indemnified against certain liabilities arising out of their performance of their duties. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. However, based on experience, the Company expects any risk of loss to be remote.

(13) Concentrations of credit risk

Financial instruments that potentially subject the Company to credit risk consist principally of cash and cash equivalents, and accounts receivable. The Company places cash in a single financial institution which at times could exceed the FDIC insured limit. To reduce the credit risk associated with cash and cash equivalents, the Company periodically reviews the financial condition of the financial institution. To reduce the credit risk associated with accounts receivable, the Company routinely reviews the funding mechanisms of municipal projects to protect the Company's interests.

(14) Cash flow disclosures

For the year ended December 31, 2009 and the period October 15, 2003 (Inception) to December 31, 2009 cash paid for interest expense was $204,603 and $1,956,512, respectively.

NOTES TO FINANCIAL STATEMENTS

(14) Cash flow disclosures (continued)

The Company had the following non-cash investing and financing activities for the year ended December 31, 2009 and for the period October 15, 2003 (Inception) to December 31, 2009:

	Year Ended December 31, 2009	October 15, 2003 (Inception) to December 31,2009
Acquisition of assets with long-term debt:		
Inventory	$ -	$ 1,000,000
Property, plant and equipment	-	3,115,754
License agreement	-	9,246
Loan fees	-	134,068
Acquisition of equipment under a capital lease.	-	17,098
Repayment of long-term debt with maintenance liability agreement.	-	1,000,000
Reclassification of accounts payable to liabilities subject to compromise due to petition for bankruptcy.	-	5,150,557
Reclassification of note payable to liabilities subject to compromise due to petition for bankruptcy.	-	3,065,687
Reclassification of subordinated related party debt to liabilities subject to compromise due to petition for bankruptcy.	-	29,353,389
Reclassification of capital lease payable to liabilities subject to compromise due to petition for bankruptcy.	-	11,186

NOTES TO FINANCIAL STATEMENTS

(15) Subsequent events

Management has evaluated subsequent events through August 5, 2010, which is the date the financial statements were available to be issued.